Market Insights Podcast -- September 2026

[00:00:00] Denise Chisholm: Welcome to the podcast. I'm Denise Chisholm, Fidelity's director of quantitative market strategy.

[00:00:05] Brad Pineault: And I'm Brad Pinault, the head of capital market strategy for Fidelity Institutional.

[00:00:10] Denise Chisholm: Look, [00:00:10] we both look at the market through slightly different lenses, right?

[00:00:14] Brad Pineault: I bring a broad perspective on the economy, asset allocation and investor sentiment and spend time [00:00:20] talking to advisors.

[00:00:21] Denise Chisholm: Yeah, I try and focus on what the data is telling us, which you kind of know, if you've been listening to this podcast and focus on sectors and factors and what market leadership is, and [00:00:30] I talk primarily to our portfolio managers.

[00:00:32] Brad Pineault: And every episode, we're going to compare notes on the trends shaping markets and the questions that investors both are portfolio managers [00:00:40] and advisors are asking most.

[00:00:42] Denise Chisholm: Let's get into it. What questions do you think they have? Brad.

[00:00:46] Brad Pineault: Uh, Denise, you know, it's, it's, that's kind of a loaded question, but, you know, I will say this [00:00:50] as I, as I think about the conversations I'm having with advisors and their investors, I'd say there's a backdrop of really a few things here, but I'd say first and foremost, [00:01:00] the markets continue to do well, but that's coming with a number of questions. And, uh, the first question probably is

around yields, right? Uh, that's obviously [00:01:10] in the news today. So and I have thoughts there, but, you know, maybe just taking a look at yields and I know you've done a lot of work on this. What's your take on the fact that [00:01:20] nominal Treasury yields across the world, not just the US story, but across the world are percolating higher?

[00:01:27] Denise Chisholm: Yeah. So it's interesting in the data because you would [00:01:30] think that all else equal, if yields are higher, that means borrowing is going to be lower. That means there's pressure on the economy. But you see the opposite in the historical data. So most time when yields [00:01:40] are higher it's actually a reflection of growth right. Rather than a deterrent to it. Now there are clear exceptions. 2022 was one we lived through that was a cleric section. And that [00:01:50] was more about the pace of the rise in yields. But when you look at yields going up and you just sort of like picked a one year time frame from the 1950s [00:02:00] to now and you said, hey, you're an equity market investor. Would you rather yields

be going up or down? You would actually pick higher? And that gets back to this [00:02:10] situation of if rates are higher because growth is better than the equity market has historically had no problem with it. So then you have to go back to the fact that, well is growth [00:02:20] higher. And I would point to a whole lot of evidence that it is getting better and getting better quickly, specifically in the capital investment section of the economy, [00:02:30] right, which is really driving nominal GDP. We only really have to go so far as to look at durable goods orders, which are actually in the top decile of their growth rate when you look historically. [00:02:40] So when you look at that top decile, you quartile it out and you see a pattern. The better durable goods orders are for our manufacturing companies, the more likely interest rates are [00:02:50] to be higher. So you do start to see this growth relationship. So again, I think people might be waiting for this moment where yields are actually the headwind. But if they [00:03:00] are a reflection of growth, which I think that there's a lot of evidence that they are that that might not be the case for equities.

[00:03:05] Brad Pineault: So I'll tell you I feel the same right. If you think about the ingredients that go [00:03:10] into a nominal Treasury yield, I think of three things. Right. I'll start with what you just mentioned. Real yields. Real yields to me are synonymous with real [00:03:20] economic growth, real GDP growth and real GDP growth. The last few years has been really a level shift higher than what we've seen

over the past, call it 15 [00:03:30] years. Now we can talk about that because one thing is clearly different this cycle is the fact that we're no longer in the zero bound of policy rates right across the world. [00:03:40] And of course, the fed is front and center this year in terms of what they may or may not do. But I do think that cuts maybe are off the table. And maybe that's [00:03:50] synonymous to your point. It's exemplary of an economy that's growing, not contracting. So real yields seem to be up. Secondly, inflation expectations. [00:04:00] I mean let's face it we're not at the 2% policy. Um you know goal the mandated goal. I don't think that's necessarily a bad thing. And you know to me [00:04:10] inflation can be a good thing if there's pricing power and in an industry right. Or pricing power and an economic wide environment. And to me, inflation [00:04:20] expectations seem to be fairly anchored, right. Call it 2.5% across the entirety of the curve, even going out 10 to 30 years.

[00:04:29] Brad Pineault: So that doesn't seem [00:04:30] to be a big issue. And then you have term premiums that again are not flat to negative, which is quite abnormal. One should get compensated if they're going to lend their money out to [00:04:40] even the US government, right, for longer than shorter. And that's just the term structure of interest rates. So you put those three together. Uh, to me, nominal yields are behaving [00:04:50] quite appropriately. Now, I know you and I have talked about two words, pretty basic words. Unprecedented. Unusual. Um, these yields are hardly unprecedented. [00:05:00] Right? I think history would

dictate that, but I'm sure you'll agree with me on this, Denise. They do seem unusual. Right. And the media is having a [00:05:10] a day today in talking about. Right. Us Treasury yields haven't been this high and almost 20 years. That's a generation uh Japanese yields. So looking [00:05:20] at the ten year right. We haven't been this high since the mid 1990s. Uh and even German yields right are up over, you know, almost a 25 year period. So I [00:05:30] think investors are probably wondering what to make of all that. And, and I, I would agree with you. To me, this is exemplary of an economy that's growing. And more specifically, [00:05:40] the fundamentals of corporations revenue margins and earnings that are growing right alongside economic activity.

[00:05:48] Denise Chisholm: Right. I'll pick up on that unusual [00:05:50] thread because I think it's partly which part was unusual, whether it was the Post-financial crisis, zero bound, or whether what we're going through is unusual, or is it [00:06:00] just a return to normalization? And I think history and the data can really help us

understand that. And I actually just put out a note recently, if you think about what Treasury yields on a nominal [00:06:10] basis should be anchored to, it should be nominal GDP growth. Right. And so when you look at that relationship over time, there will be some anomalous situations of booms and busts that we saw going [00:06:20] into Covid and coming out of Covid. And that was certainly true in the financial crisis, where interest rates are slow to reflect that growth because of the shock. But there's a fairly linear relationship [00:06:30] between the bulk of the times. And we're right in kind of that normal distribution. And you might find it funny, but if you dropped in a regression line and said, what will, [00:06:40] what should interest rates be relative to the nominal growth right now? They should actually be in the sixes. And by should, I mean, what is the [00:06:50] normal relationship. So you have to go back to that. Is it unusual or are we just renormalizing from a very unusual time? So when [00:07:00] I look at all of history, I kind of say, geez, I'm not sure that rates are really a problem or doing something that different than what we've seen historically. And back to that. [00:07:10] And if that is so, and if it is because of growth, then the market usually has no problem with it.

[00:07:17] Brad Pineault: Yeah, I, I mean, I've obviously I consume [00:07:20] your work and we talk about that. But but Denise, it really is amazing to me how even the most astute financial advisor looks at you a little bit incredulously [00:07:30] to think, okay, well, we hope you're right, because it has been a while. But yes, I, I do believe in that positive linear relationship between economic [00:07:40] activity and fundamental growth, right? Of the companies we we buy and the level of policy rates on a real basis as well as as yields [00:07:50] the other the other topic that comes up plenty of times and not to put the yield story to rest, I feel like we'll be talking about this, uh, going forward because [00:08:00] it is the story. Uh, but the other

question that comes up is around artificial intelligence. And I feel like we could have a whole, well, I'm [00:08:10] not going to actually put guardrails on it, right? Because this is such a topic. And if you think about it in the most simple binary terms, it's [00:08:20] either boom or bust, bull or bear, right. Uh, and I, I like to think that nothing or not many things in life are that [00:08:30] binary, right? It's usually a multivariate, uh, explanation, uh, and even history. I don't know if your history goes back to kind of look at booms like this, but what are you thinking about [00:08:40] when it comes to AI? Uh, in terms of, you know, and again, not binary, but what are your thoughts going forward? And, and how does that affect cause and effect the [00:08:50] economy and even the overall market?

[00:08:52] Denise Chisholm: Yeah, it's always difficult to ask somebody who has a real quantitative, data driven approach based on history to sort of evaluate what people think is new. And [00:09:00] I say that only because it's not really a challenge in the data, but I always think it's a challenging in how I answer it and how much people believe me, because they'll always say, well, it's different this time, but [00:09:10] I've always been shocked by the patterns in the data, despite the fact that yes, it is always different are actually pretty valid. So I think that there are a couple of data series that can help us understand [00:09:20] the context here. And one is if we just think about the economy, forget the stock market for a second, because a lot of what questions I get from portfolio managers, they feel like they understand [00:09:30] the equity portion of it. But can this take down the economy part? Are we all geared to an AI trade that if this actually goes bust, or even if the second derivative [00:09:40] slows, is that going to lead to an economic crisis? And here I think the data is pretty clear, right? You can go into the GDP accounts, you can section out what technology actual CapEx is. [00:09:50] You can even pull data centers.

[00:09:51] Denise Chisholm: They have data centers in there since 2020. You can add it all up and you can look at it as a percentage of GDP. Over time, you will see two very interesting things. [00:10:00] One is that we've certainly seen a hockey stick up higher. That is not that different from what we saw in the bubble, which did burst, but it's also not that different from what we saw [00:10:10] in the 70s, right, with some technological advancements back then. The other thing that you will see, which is not something we've seen with most of the investment case in GDP, is that there's [00:10:20] been a secular trend higher. So I can't remember the exact number that we started at back in the 70s. I want to say maybe it was 3.5% of overall GDP. Now we're close to seven, [00:10:30] right? That's about double what we were dependent on as an economy in residential investment going into the financial crisis. Right. But the difference between technology investment [00:10:40] and residential investment is residential investment is cyclical. This is secular, right. So it could end up being very similar, more like the 70s where,

yes, we've seen a hockey [00:10:50] stick hire and it's 7% of GDP, but 20% of the growth right now. So it punches a little bit above its weight because growth has been slow.

[00:10:58] Denise Chisholm: So it's very important. [00:11:00] But that doesn't necessarily mean it's going to decline. We're clearly at a decile growth levels. In fact like

going into the bubble CapEx defined this way has never grown [00:11:10] faster. Right. And it's already started to slow. It's so the second derivative is already slower. And if you say, oh, well, geez, this must be a bad thing for economic growth or a bad thing [00:11:20] for stocks or bad thing for technology, you get the opposite conclusion in the data. When you see that second derivative slowdown, it's usually that you actually see a pickup [00:11:30] in broader GDP, almost like all of this CapEx spend is a leading indicator to economic growth. So that dependency wanes over time, [00:11:40] meaning they build it. And then usually again, if history is a guide, it does end up seeping through the overall economy, and it actually ends up being better [00:11:50] for equities rather than worse and better for technology leadership from an equity perspective. So it's always different. But I think that that secular trend [00:12:00] and understanding that it all doesn't have to end just because that second derivative slows is kind of powerful when you think through the data.

[00:12:07] Brad Pineault: Yeah, I would say it is to your point, this nonresidential [00:12:10] investment, right? The big eye in the GDP aggregate demand equation, you know, business investment in so many ways, right, is, [00:12:20] you know, maybe it's surprising to the upside, but, you know, if you think about it, and I share this with advisors all the time, you have a few tailwinds working for you when we think about not [00:12:30] just semiconductors, but the durability, right, of the spend, you know, first and foremost, the one big, beautiful bill act. And I know there's a lot of opinions on [00:12:40] that piece of legislation, but that legislation, you know, there's a possibility it goes down as a landmark legislation, if only for the fact that it provided this permanence, [00:12:50] right, of accelerated depreciation for companies to put money to work right and capital investment. And that came right at the same time, or maybe a couple of years later, after [00:13:00] the interest rate environment was no longer zero. Right. And if you go back over 20 years, we know that zero rates did some weird things. But to me, what it did is [00:13:10] incentivized corporate behavior to spend money on share buybacks, which we of course call financial engineering. But a lot of levering up at cheaper cost [00:13:20] of capital, buying back shares, anti-dilutive strategies really padded the bottom line for income statements. But what didn't happen and we know this [00:13:30] right very transparently. What didn't happen is CapEx. In fact, as of 2022, capital deployment on behalf of corporate America was at its lowest point in [00:13:40] nearly six decades as a percentage of GDP.

[00:13:43] Brad Pineault: And that doesn't surprise us, just given the fact that companies were incentivized to not put money into [00:13:50] their business, right, or to their enterprise, and now they are incentivized. So that's like number one, tailwind. The second is the very fact that even if there is that second [00:14:00] derivative deceleration, right, of the spend from the hyperscalers and any other company that's investing here, it kind of misses the mark, right? And you've already hinted at this, [00:14:10] that the numbers are so absolute. Right. And they're significant. And I'm not necessarily sure that that's going to contract. Maybe it decelerates but not necessarily contract. [00:14:20] And then the third one and this one is up for grabs, right. And I know how you feel. I know how I feel, but humbly right. We shall see what [00:14:30] the numbers prove to be in the near future. But is this truly secular or is this more cyclical? And of course, I'm speaking to the spend. And if you think [00:14:40] about semiconductors, I mean, let's face it, right? For six decades, since the days of Gordon Moore, the co-founder of Intel, back in the mid 60s, we know semiconductors [00:14:50] have possessed very cyclical boom bust characteristics, right? Yes. Um, and that is the question. Right. How much do you want to invest. That's the [00:15:00] dollar value of this question. Is this more of a structural tailwind where demand doesn't wane right. For these types of products and [00:15:10] services. Or does this have maybe a shorter runway.

[00:15:14] Brad Pineault: I personally believe it's the former. You know, just given the fact that the demand [00:15:20] drivers don't seem to be running out anytime soon, and we could certainly get into this, but I do believe that this is a significant tailwind where we are seeing, um, let's just say structural [00:15:30] characteristics of demand spend and the benefits of such. And I've used this term and maybe you've heard it, but [00:15:40] quite simply, I feel like the artificial intelligence story is migrating from one of scarcity to one of abundance. And [00:15:50] the transition there is right now, we have bottlenecks between supply and demand, right? For the companies that are spending the money to build this out. So just think semiconductors, even [00:16:00] hyperscalers, right? Cloud based companies, those companies are enjoying the perks of there's a lot of demand for those goods, not enough supply. So those bottlenecks allow for pricing [00:16:10] power. Uh, there is an opinion here that eventually we migrate towards abundance as more and more non-tech companies start to utilize these services. [00:16:20] Um, I guess the question will be, is it going to be a cost center to their business or a profit center? And if it's more the latter, I do think you're going to see, let's

just say, economic [00:16:30] wide adoption of these services. And that's something that we haven't really seen in a very long time since maybe the days of assembly lines or transistors,

right? It's [00:16:40] been a while since it's been that economic wide adoption of such a disruptive innovation.

[00:16:44] Denise Chisholm: Right? No, don't disagree at all. I mean, the interesting part about semis is you're right. I mean, they have a very long history of [00:16:50] boom bust periods. And the stocks actually react before the bust, which is ultimately the challenge for any investor. Right. Stocks are going to anticipate. So even if you think it's like durable [00:17:00] and steady, like you could be end up in a situation where stocks anticipated, you know, nine months before the peak. But I think that you're already seeing a serious difference in the data, [00:17:10] right? So again, back to the data. And is the pattern different. The pattern is different, right. Semiconductors. Now when you look at it over the last year they compounded earnings on positive [00:17:20] earnings. Usually when they put up over 100% earnings growth it's on a bust. So you're already seeing this cycle be very very different than prior cycles. [00:17:30] And when you start to zoom out you go, well the stocks are up. And I don't exactly remember the the percentage, you know, 150% over the past, you know, whatever, two years. Well, [00:17:40] so are earnings. So when you look at it over even three years or a longer time horizon, stocks are up less than earnings, which means and I think that this is the real [00:17:50] difference that investors need to appreciate. The stocks are actually cheap. Right.

[00:17:54] Brad Pineault: Which is to say cheap.

[00:17:57] Denise Chisholm: I did. I said cheap right. So when again [00:18:00] back to the data. So when you look at p e ratios relative to the rest of the market and you quartile it out, I call the bottom quartile cheap. I call the top quartile expensive, right? So we're in the bottom quartile. Now I [00:18:10] have a lot of portfolio managers saying, well, that's what they're supposed to be. Isn't that what telling you. Peak earnings. Well look, we can look at the data and say, okay, every time we're in the bottom quartile, what are the odds of outperformance [00:18:20] from that bottom quartile? And it's like 75%, which means 25% of the time it's reflective of its top. But if you get that top wrong, all of a sudden the risk reward [00:18:30] is very skewed advantageously. Which means it's another way to say, look, if you're afraid that it's the top, so are the stocks. A lot of

that's already priced in. That's the risk, [00:18:40] right? So to me the risk reward is still positive because of valuation. We'd be having a different conversation if you were really seeing something like peak multiples on peak earnings.

[00:18:49] Brad Pineault: Yeah, [00:18:50] exactly. And we're not and we don't need to go into specifics on any of these names. But you're right. It is really and that's, you know, it really is amazing to me. And we've been doing this a long time. Right. 30 years [00:19:00] each. And it's

a, it's amazing to me that a good story can have such significant upside volatility. For example, April and May into [00:19:10] late June and then significant right. Kind of yin versus yang a downside volatility. Um, and yet what gets lost in translation is [00:19:20] the fundamental thesis. Yeah. Right. And, and I know somebody who used to work with us here at fidelity, who managed a lot of those names or, you know, was a research analyst on them. You know, he [00:19:30] used to say that there are tourists and there are people who come to stay and there are a lot of tourists. And let's face it, right? As we like to say, also performance breeds behavior. [00:19:40] That behavior sometimes affects the attitudes around all of this. Um, but that's what's happening here. Let me ask you this question as well. You mentioned something about [00:19:50] the earnings have been so strong.

[00:19:53] Brad Pineault: Let's broaden that out and move away from AI for a moment here. This has been a historic year for [00:20:00] earnings per share growth for the S&P. Certainly we just came off of almost a fully baked Q2 which was historic by many means. But you said [00:20:10] something very interesting and I want you to unpack it a bit. You mentioned how the earnings and semiconductors are are [00:20:20] performing as if we've had a contraction. Um, and same thing with the broad based market. These earnings are up and I was looking at this data and correct me if I'm wrong the [00:20:30] earnings growth for 2026 is expected. It's been revised much higher, now expected to be around 36%. If that holds, that [00:20:40] will be the third best earnings growth year in the last 40 years. And the only other two that you've had that have beaten this were 2009 and 2021, [00:20:50] which of course were both post recovery or I should say post contraction, i.e. recovery years. So that's a pretty heavy statement, right? [00:21:00] So what what's going on in your opinion, why are earnings doing so well?

[00:21:05] Denise Chisholm: To me it looks like a catch up trade. I mean it's ironic because when you look at it in history [00:21:10] you're right. I mean we're not we're

well over top quartile levels of of what typical earnings growth is. And if you try and draw a relationship to like this earnings growth level and I'm doing it on [00:21:20] forward earnings, you actually it's like, you know doesn't give you any additional odds of what the market does, meaning that it doesn't necessarily have to be negative because we know the second derivative is slower, [00:21:30] right? I mean, the expectations are gonna be next year, but partly I think that this is a function of this cycle being so unique. When you look at median earnings, they peaked in [00:21:40] 2018 2018 until just now. Right. So think about that for the average company. We we certainly had the profits recession. [00:21:50] I'm going to call it a profits recession during Covid. And then we had a profit recovery post Covid. But that recovery never got you back to that prior peak in 2018. We're [00:22:00] just finally getting there seven years later. This is the longest cycle on record, or at least I have going back to the 60s, of how long it

[00:22:10] took to get back to a prior peak. I think we had 1973 to 19, uh, 1967 and 1973 was like one. And then we had post. The financial crisis [00:22:20] was also six years and now this is seven. So to me, again, it almost gets back to that interest rate comment. It looks like a Normalization, not some sort [00:22:30] of euphoria or excess that can't be maintained.

[00:22:34] Brad Pineault: And I would concur. You know, to me, there's a few of the things there. You mentioned nominal GDP growth and [00:22:40] the relationship between that and nominal Treasury yields. And by the way, I didn't I didn't say this, but I, I don't know if we get to six, but I do think five makes more sense than four. [00:22:50] Right. And then I don't know, it just just makes sense just given the the economic activity. But if you think about nominal GDP, nominal GDP is a pretty good representation, right? [00:23:00] Given consumption, consumption and business investment between those you're you know, you're just over 80%. Throw in some government spending, right? You're in that 95% window. But if you think [00:23:10] about it, nominal GDP is a pretty good representation of nominal revenue growth for the S&P. And nominal revenue doesn't really get discussed because everyone's talking about the bottom line. But nominal [00:23:20] revenue this year right. Looks like it could be low double digits. It just came in almost at 16% for Q2. Now again, some of that's inflation, but inflation [00:23:30] subdued in that 3% range. So a lot of this is right activity. So it starts with revenue margins for the S&P. Now granted the S&P [00:23:40] influenced by these mega cap names and certainly semis. But still operating margin is just at 21%. Or at least that's the expectation. That number was 16% [00:23:50] back in 2019. So another 500 basis points to the bottom line. Um, and it doesn't seem like that's

going to go anytime soon, especially if [00:24:00] my scarcity to abundance transition has any legs, right? Any merit of occurring as companies start to get a little feel for the ROI aspect [00:24:10] of, of AI. So let's talk about the broadening of the market. Denise. Right. I mean, clearly welcomed, right? I'd say welcomed by portfolio managers [00:24:20] that have been looking for something other than just mega cap tech. Mhm. And certainly welcomed by investors that might have been on the other side of the equation. So to at least based [00:24:30] on your work. Right. What would you attribute this broadening to? What are some of your favorite areas? And maybe most importantly, [00:24:40] how long does this last?

[00:24:41] Denise Chisholm: Yeah. Well, let's start with that. The last part first, because I think that that's the most interesting part because for most investors, they think about the one year time horizon. And that's [00:24:50] important I do as well. But I think the durability of either an economic expansion or an earnings expansion is much more predictive of secular bull markets than [00:25:00] anything else. And I think back to that, that's what makes this cycle unique, is because the enemy of either the economic cycle or the profit cycle is excess. And because our

[00:25:10] profit cycle has been so poor, and I would call our real GDP being poor as well at 2%, that means the bright side to this is [00:25:20] that it tends to last longer. There's a lot of symmetry between how long it took you to get back to prior peaks and how long that durability lasts. So I think that [00:25:30] it is likely much more durable than investors expect. And I think that's the important part. That's the important takeaway for investors. What was the other part? Sorry. What [00:25:40] was that getting back to?

[00:25:41] Brad Pineault: Yeah. So and then maybe what are some of your like favorite areas for the broadening right outside of the growth style?

[00:25:47] Denise Chisholm: No, the broadening its look, I still think technology is leadership [00:25:50] in part because I think it already discounted what everybody is afraid of. When I look at the entirety of the technology sector, it's what I call cheap, like statistically cheap. It's in [00:26:00] the bottom quartile of forward p s relative to the broader market. And I think still putting up really strong numbers back to that durability. So I think the risk reward behind technology is still [00:26:10] positive. So I wouldn't necessarily say, you know, I hear a lot about rotation and there's been rotation under the surface. But I don't think that that necessarily means the technology is a massive

underweight [00:26:20] for me. That's what I've been talking to portfolio managers about. But I do think that there's more that you can own materials, and I would say specifically metals and mining are really intriguing [00:26:30] to me, as are parts of the industrial space that we see with sort of the manufacturing economy. And if we are now to industrials, if we are permanently in [00:26:40] this above 50 for the ISM measure and rising, that tends to be a sweet spot for industrials as a sector and parts that are more geared towards manufacturing, like [00:26:50] manufacturing machinery and transportation. Instead of advancing CapEx, they're actually cutting CapEx. And that's usually a good thing when [00:27:00] margins are at trough because it means they recognize the problem, they're getting more efficient. You might be at the bottom of the cycle. The stocks are expensive. That's exactly where they should be at the bottom of the cycle. [00:27:10] So a lot of the indicators that I'm looking at for a lot of metals and mining is looks to be that the cycle is turning. And that tends to be a good point for investing in terms of capital. [00:27:20] The risk reward.

[00:27:21] Brad Pineault: Yeah. It's so true. I mean, and you're right. Materials small part of the S&P kind of front loaded with chemical companies. But that that niche [00:27:30] of metals and mining clearly is having a good year as we've seen some of these long term bases. Right. So in other words, right, the stocks are you know we'll see, but are [00:27:40] potentially can make some some all time highs here after almost a 20 year, you know, a 20 year period of dormancy.

And there's, there's always, [00:27:50] it's always challenging to understand what the variables are that are driving this. But you mentioned industrials clearly a very diversified sector, right. [00:28:00] I think there's 16 industries there. But if you do pick your spots that are building out. So if you're like AI, you know, you have to, you have to kind of like the industrial renaissance [00:28:10] that's occurring as a result. So that's an area we like, we even like banks, right? And again, not monolithically because there are some challenges, But [00:28:20] we do like the fact that yields going higher and the fact that a lot of this has to be financed and built out, and just the fact that the economy is expanding. Right. We do believe [00:28:30] banks could give you a nice area diversification, certainly after a pretty long period of not doing so great. We've actually kind of broken this [00:28:40] out into two simple buckets. And it's not groundbreaking. But I'll tell you, it does resonate with financial practitioners. The first of which is leaning into growth.

[00:28:49] Brad Pineault: We would agree with [00:28:50] you, right, in terms of the advisory community. We are not looking to divest out of these historically elevated fundamentals right in the technology [00:29:00] space. Um, we do believe that they'll continue to be fundamental growth there going forward. Therefore, having exposure to that prudently and discretely continues [00:29:10] to be logical to us. But at the same time, we are advocating to be broadening out portfolios. Right? And even if that's just to diversify against [00:29:20] a number of constituents. We know the theme is a big one, this AI story, but we are thinking about broadening out portfolios. And to me, I summarize this real simply by saying companies [00:29:30] that are tied to the vitality of the economy, right? Should this economy continue to expand? And that's my opinion, right? That's the thesis that we're [00:29:40] continuing to convey. But should this continue to expand, you're going to want to own companies that have revenue exposed to that expansion, right? [00:29:50] More simply, you know, the word is cyclicality, right? Exactly, exactly. You want those revenues to be economically sensitive. And we haven't been able to say [00:30:00] that this entire cycle. Right. It's been in fits and starts, but it does seem that despite all the uncertainties, right, the unprecedented headlines, it does seem [00:30:10] as if the economy continues right to get right back up and grow. And that speaks volumes, right? I think that's a pretty heavy observation. And that [00:30:20] should allow both leaning into growth and broadening one's asset allocation to do well going forward.

[00:30:26] Denise Chisholm: Don't you agree?

[00:30:28] Brad Pineault: Well this has been a lot of fun, Denise. [00:30:30]

[00:30:30] Denise Chisholm: Yes. As always, Brad, I feel like every time we talk, I learn something.

[00:30:34] Brad Pineault: Oh. Same, same.

[00:30:35] Denise Chisholm: You asked me the questions this time. Maybe I'm going to ask you the questions next time and we'll flip the script. [00:30:40] But until then, you can always find my research on LinkedIn, where I share charts of the week and commentary on all things market related. And you can find Brad's research as well. [00:30:50]

[00:30:50] Brad Pineault: Yep. By all means, thank you. Denise. Institutional.fidelity.com is where you'll find a number of our articles and publications. We do have every Monday a market signals [00:31:00] weekly that we publish. It's about 500 words, so we promise it won't take much of your morning, but it should be significant in terms of how we're informing financial practitioners [00:31:10] about the week past the week ahead. So we appreciate you tuning in, ladies and gentlemen, and thanks so much.

[DISCLOSURES]

Past performance is no guarantee of future results.

Investing involves risk, including risk of loss.

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities. The views and opinions expressed by the Fidelity speaker are his or her own as of the date of the recording and do not necessarily represent the views of Fidelity Investments or its affiliates. Any such views are subject to change at any time based on market or other conditions, and Fidelity disclaims any responsibility to update such views. These views should not be relied on as investment advice and, because investment decisions are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity product. Neither Fidelity nor the Fidelity speaker can be held responsible for any direct or incidental loss incurred by applying any of the information offered. Please consult your tax or financial advisor for additional information concerning your specific situation.

Unless otherwise expressly disclosed to you in writing, the information provided in this material is for educational purposes only. Any viewpoints expressed by Fidelity are not intended to be used as a primary basis for your investment decisions and are based on facts and circumstances at the point in time they are made and are not particular to you. Accordingly, nothing in this material constitutes impartial investment advice or advice in a fiduciary capacity, as defined or under the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code of 1986, both as amended. Fidelity and its

representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in the products or services and may receive

compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services. Before making any investment decisions, you should take into account all of the particular facts and circumstances of your or your client's individual situation and reach out to an investment professional, if applicable.

This podcast is intended for U.S. persons only and is not a solicitation for any Fidelity product or service.

This podcast is provided for your personal noncommercial use and is the copyrighted work of FMR LLC. You may not reproduce this podcast, in whole or in part, in any form without the permission of FMR LLC.

The statements and opinions are those of the speaker, do not necessarily represent the views of Fidelity as a whole, and are subject to change at any time, based on market or other conditions.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk. Nothing in this content should be considered to be legal or tax advice and you are encouraged to consult your own lawyer, accountant, or other advisor before making any financial decision.

Diversification does not ensure a profit or guarantee against loss.

Indexes are unmanaged. It is not possible to invest directly in an index.

The securities mentioned are for illustrative purposes only and not necessarily current holdings invested in by FMR LLC. References to specific issuers or securities should not be construed as recommendations or investment advice. The statements and opinions are subject to change at any time, based on market and other conditions.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vis versa. This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issues and counter parties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible. Lower-quality

bonds can be more volatile and have greater risk of default than higher-quality bonds. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. Leverage can increase market exposure and magnify investment risk. Fidelity Investments® provides investment products through Fidelity Distributors Company LLC; clearing, custody, or other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC (Members NYSE, SIPC); and institutional advisory services through Fidelity Institutional Wealth Adviser LLC. Personal and workplace investment products are provided by Fidelity Brokerage Services LLC, Member NYSE, SIPC. Institutional asset management is provided by FIAM LLC and Fidelity Institutional Asset Management Trust Company.

©2026 FMR LLC. All rights reserved.

1280745.1.0